

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 NSC-05  
SS-15 ICA-11 H-01 PA-01 /069 W  
-----084911 040234Z /75

R 031102Z APR 78

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 5305

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

C O N F I D E N T I A L LISBON 2444

PARIS ALSO FOR USOECD

BRUSSELS ALSO FOR FAA AND USEEC

E.O. 11652: GDS

TAGS: EAIR, PO

SUBJECT: CIVAIR: TAP'S FUTURE AND TRANSATLANTIC CIVAIR  
ISSUES

REF: STATE 64526

SUMMARY: TAP PRESIDENT MONTEIRO DA SILVA TOLD AMBASSADOR  
MARCH 29 THAT TAP HAS SUBMITTED PROPOSAL TO GOP THAT ENVISAGES  
TAP'S FINANCIAL RECOVERY WITHIN THREE YEARS. DA SILVA WILL  
BE ATTENDING FORTHCOMING SESSION OF EUROPEAN AIR CARRIERS WHICH  
WILL ADDRESS, INTER ALIA, U.S. TRANSATLANTIC FARE POLICY.  
ALTHOUGH DA SILVA DOES NOT BELIEVE U.S. POLICY WILL AFFECT  
TAP INTERESTS ADVERSELY, HE SHARES CONCERN WITH OTHER EUROPEANS  
ABOUT POLICY'S POSSIBLE REPERCUSSIONS IN INTRA-EUROPEAN CONTEXT.  
END SUMMARY.

1. TAP'S FUTURE: DURING COURTESY CALL ON AMBASSADOR MARCH 29,  
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TAP PRESIDENT MONTEIRO DA SILVA STATED THAT TAP HAS  
JUST SUBMITTED FINANCIAL "VIABILITY" PROPOSAL TO GOP FOR  
APPROVAL. DA SILVA SAID HIS PHILOSOPHY IS THAT TAP  
SHOULD BE PROFITABLE CONCERN AND SHOULD NOT BE DEPENDENT  
ON GOVERNMENT HANDOUT FOR SURVIVAL. VIABILITY PROPOSAL  
ENVISAGES CONCERN'S FINANCIAL RECOVERY WITHIN THREE YEARS.  
(CARRIER HAS BEEN SUBSTANTIALLY IN THE RED FOR PAST TWO

YEARS.)

2. THE ISLANDS: TAP'S PROPOSAL NEVERTHELESS RECOMMENDS CONTINUATION OF SOCIALLY-DETERMINED FARES FOR SERVICE BETWEEN MAINLAND AND ISLANDS (AZORES AND MADEIRA) AND GOES BEYOND EXISTING POLICY BY RECOMMENDING THAT THOSE FARES BE PEGGED AT NO MORE THAN RAIL FARES FOR EQUIVALENT DISTANCES, WERE RAIL SERVICE POSSIBLE. RATIONALE IS THAT ISLANDERS SHOULD NOT BE PENALIZED BY REASON OF GEOGRAPHIC CIRCUMSTANCES BEYOND THEIR CONTROL.

3. NEW AIRCRAFT: TAP HAS ALREADY ORDERED ONE B727-200 TO ADD TO ITS ALL-BOEING JET FLEET AND IS IN PROCESS OF ARRANGING FOR SECOND SUCH ADDITION. ACQUISITION OF 727-100 IS UNDER ACTIVE STUDY. TAP IS ALSO EXAMING OPTIONS FOR REPLACING AGING 707 FLEET AND IS LOOKING NOT ONLY AT BOEING WIDE-BODIED JETS, BUT OTHER POSSIBILITIES AS WELL.

4. TRANSATLANTIC FARES: DA SILVA WILL BE ATTENDING EUROPEAN CARREIRS REGULAR MEETING NEXT WEEK. U.S. TRANSATLANTIC POLICY WILL BE DISCUSSED, AMONG OTHER ISSUES. TAP IS NOT ITSELF ADVERSELY AFFECTED BY U.S. POLICY ON NORTH ATLANTIC ROUTES, HE SAID. HOWEVER, DA SILVA IS CONCERNED ABOUT POSSIBLE REPERCUSSIONS ON INTRA-EUROPEA MARKET. MANY SMALL NATIONAL CARREIRS, INCLUDING TAP, HE CONFIDENTIAL

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MAINTAINS, COULD NOT SURVIVE WITHOUT MASSIVE SUBSIDIES SHOULD FARE COMPETITION EXTEND TO THAT MARKET.

5. COMMENT: DA SILVA ACKNOWLEDGED THAT TAP'S MOTIVATION IN PROPOSING SPECIAL FARE FULE FOR ISLAND-MAINLAND ROUTES IS NOT ALTRUISTIC. ADOPTION OF PROPOSAL WOULD COST TAP LITTLE MORE FINANCIALLY THAN PRESENT FARE POLICY BUT WOULD (TAP HOPES) PAY OFF HANDSOMELY IN ENHANCING TAP'S NOW LESS THAT LUSTROUS IMAGE IN THE ISLANDS, WHERE ITS NEAR-MONOPOLY IS RESENTED. BLOOMFIELD

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
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**Current Classification:** UNCLASSIFIED  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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